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AGENCY PRICING POLICY AND PROCEDURES

1. GENERAL

The overall comprehensive price revision and the accompanying inventory revaluation will be accomplished annually. Price adjustment will be made throughout the year as required by an analysis of excessive price differences.

2. PURPOSE

The purpose of price changes and inventory revaluations is to insure that stocks are issued and costed at an amount that will allow the stock funds sufficient funds to replenish the stock. It also serves to establish accurate property-in-use valuations.

3. POLICY

- a. The effective date of annual price changes for inventory revaluation is 1 July of each year.
- b. Stock procured from commercial sources will be priced at replacement cost. For this purpose, replacement cost will be determined as the procurement cost of an item for a twelve-month period, or a lesser period if market trends warrant such action. The procurement cost will be arrived at as follows:
 - (1) The procurement cost will be the cost reflected on the invoice less any applicable trade discounts.
 - (2) The procurement cost will not include transportation and handling charges except when such charges are included in the unit price billed for the item.
 - (3) Cash discounts will not be taken into consideration when computing the procurement costs.

Exceptions to the policy of pricing stocks at replacement costs are strategic reserve material, donated material, and non-moving stocks that will be priced at previously determined figure.

- a. The unit price of material purchased from another government agency will be the price reflected in this Organization's Supply Catalog. If not listed, the unit price will be that price shown in the price list published by the supplying agency. In the absence of either criteria, an estimated unit price will be established based upon the estimated acquisition cost of such items if procured new, exclusive of transportation, handling charges, etc.

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- d. Unit price of material received from another government agency without reimbursement will be based on the expense incurred by the Office of Logistics for the incidental services (packing, crating, handling, transportation, or other services furnished by the donating agency). The objective will be to recover these funds in the stock procurement account. When donated material is declared "excess", it may be issued without charge to the Property Cost Authorization of the requesting component.
- e. An average price will be applied when no better criteria for establishing a price is available.
- f. Occasional non-standard additions to large in-use inventories will not be allowed to unduly affect the in-use valuation.
- g. Unit prices carried on Field Stock Record Accounts shall be corrected to the nearest penny.
- h. The fixed unit price shall not normally be adjusted to reflect minor changes in average acquisition price. Unless the change amounts to 5% of the fixed unit price or \$50.00, whichever is less, no adjustment need be made.

4. PROCEDURE

- a. The Fiscal Management Staff, Supply Division, will request that Machine Records Division (MRD) furnish:
 - (1) An Acquisition Listing of stock receipts for the period under study. The Listing will show the stock number, voucher number, TA Code, SAC, quantity, unit price, total price, and a calculated average unit price of all acquisitions, and,
 - (2) A working sheet containing the stock number, unit of issue, and current established price. The working sheet will be run from the old price deck, updated by including all prices established since the previous year's revaluation, matched against all status cards and then changed to status price when the price deck price is different.
- b. Fiscal Management Staff will adjust prices on the working sheet to reflect prices appearing on current pricing lists published by other government agencies. An exception will be for Materiel Unit I items, many of which are considered obsolete by Department of Defense and are carried at arbitrarily established prices.

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- c. Fiscal Management Staff will review the Acquisition Listing to ascertain that the calculated average price shown thereon is correct. If incorrect, the price is changed. FMS analysts must exercise considerable judgment when pricing commercial procurements especially when an unusual change in price is indicated as the result of a single purchase. On questionable items, the analyst applies the price shown on the voucher.
- d. After all price changes made to the Acquisition Listing are transferred to the Working Sheet, the latter is forwarded to Machine Records Division for establishment of a new price deck and preparation of a machine Report of Inventory Adjustment that reflects all price changes.
- e. Fiscal Management Staff will edit the Report of Inventory Adjustment and will initiate a manual Report of Inventory Adjustment to adjust any errors appearing on the machine RIA.
- f. Fiscal Management Staff will prepare a Report of Inventory Adjustment showing only the material unit and the total dollar changed in each unit. This covering Report of Inventory Adjustment supports the Machine Records Division's adjustment.

5. OTHER ACTION

- a. Identification and Cataloging Branch, Supply Division, will publish, from multilith mats furnished by Machine Records Division, an annual Price Supplement to the Agency Supply Catalog. Revisions to the published Supplement will be included in the monthly Stock Accounting Letters prepared by ICB.
- b. Fiscal Management Staff will review monthly the acquisition cost differences to detect significant price changes. If a revision is in order, FMS will prepare a manual Report of Inventory Adjustment to adjust the price deck, and will advise Identification and Cataloging Branch of the change.
- c. Fiscal Management Staff will review, upon receipt, the price change data prepared by other government agencies. Necessary revisions to the Agency price deck will be processed in same fashion as shown above.

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